

# How volcanogate affected the LCCs

The low-cost sector provides a no-frills service along the lines of the 'stack 'em high, sell 'em cheap' model. Following the eruption of Iceland's Eyjafjallajökull volcano, has this model been jeopardised? The low-cost carriers (LCCs) have certainly been vocal in criticising the European Union restrictions that now bind them to universal agreements on how passengers should be reimbursed.

**Sarah Morgan** investigates.







**T**HE AIRLINE INDUSTRY HAS been hit by the most extreme of natural disasters over the last few months. Eyjafjallajökull blew its top on March 21 – the beginning of chaos that the aviation industry has not seen since WWII. As things looked like they were calming down, at least in the flight departures area, there was a second eruption on April 14.

This one natural disaster proved to be a far greater disruption to the airline industry than any recent strikes. Although British Airways (BA) was particularly unlucky as their profit margins were hit with a strike as well; it reported losses of £531m (\$765m) on May 24.

LCCs and legacy airlines are opposing European union regulation [261/2004], which enforces on all airlines a certain legal standard for compensation. The low-cost sector criticised this model at the time of its ratification in 2004, but with the eruption of Eyjafjallajökull they are dealing with the law at a time when it has the biggest impact on their business.

But does the low-cost sector suffer more under such legislation, or are they just eager to continue making a healthy profit as legacy carriers fade into the background?

#### **CALM UNDER FIRE?**

The airlines themselves are keen to cover over any cracks. When asked how they dealt with such unforeseen circumstances the airlines interviewed gave relatively assured responses.

Angelika Schwaff, media spokesperson at Germanwings, says they respond to such events as “professionally and quickly” as possible “to look for the best solutions for our customers and us as a company.” She asserts: “We have enough ad-hoc expertise to cope with unforeseen events.”

Mike Rutter, flybe’s CCO, echoes this perception, saying it “has a highly experienced management team that spearheads rapid response action to unforeseen events.” However, he is under no illusions about the extraordinary nature of the disruption. flybe chairman, Jim French said: “The traumatic and unprecedented week-long, blanket shutdown of north European air-space following the eruption of the Icelandic volcano astounded even the airline industry’s most experienced chiefs.”

So, even with the projected confidence, airlines recognise that the industry has been shaken. Interestingly one of the main hubs for low-cost airlines, London Luton, was quick to issue a release claiming that they were the first airport to be back to full operation after the disaster. However, it was BA that claimed the first flight.

bmibaby and easyJet seemed most spooked by the prospect of talking about the whole affair. Naomi Bustin, the communications executive at bmibaby, would only pass one sanctioned comment saying: “bmibaby will continue to work closely with NATS (air traffic control) and the UK Met Office to monitor the current volcanic ash situation. Safety is bmibaby’s number one priority and the decision to cancel



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flights is based on continuing advice from the UK Met Office and NATS.”

easyJet was even more guarded, refusing to comment until the incident had been resolved. At the time of going to press it announced its trial of an aircraft-mounted detector that uses infra-red technology to detect ash up to 62 miles away.

Ryanair’s CEO Michael O’Leary has been making comments to the British press on a regular basis. His response ranged from accepting the blanket ban in the interests of safety, to heavily criticising the modelling system, which seems to be letting the larger airports stay open while regional airports, which his aircraft operate from, remain shut.

O’Leary’s responses are perhaps another sign of how the ban has rocked the low-cost industry. Even airline bosses, it seems, can’t decide which way to jump when it comes to volcano management and it doesn’t take long for someone like O’Leary to complain of inequity when it comes to the legacy carriers.

He is not alone, the International Air Transport Association (IATA) is also critical of the imprecise nature of the modelling system.

“The current European-wide system to decide on airspace closures is not working,” said Giovanni Bisignani, IATA’s director general and CEO. “Over 200,000 flights have operated in European airspace identified by the Volcanic Ash Advisory Centre (VAAC) as having the potential presence of ash. Not one aircraft has

reported significant ash presence and this is verified by post-flight aircraft and engine inspections. We must back the theory with facts gathered by aircraft to test ash concentration.”

“We have lost confidence in the ability of Europe’s governments to make effective and consistent decisions,” he continued. “Volcanic ash is a new challenge for European aviation. We can understand that systems need to be developed to cope. But what is absolutely inexcusable is the failure of Europe’s governments to act urgently and collectively to provide real leadership in a crisis.”

### THE OTHER SIDE OF THE FENCE

On the customer side there is a discrepancy between the management shown between legacy and low-cost carriers.

Juliana Erikson, a bmi customer, who was particularly glowing about her past experiences with the airline spoke to *Low-cost Airline World* about her experience of bmi’s handling of ‘Volcanogate’. Before the ash cloud began to cause problems she was booked on a package flight with bmi to Berlin due to depart from London Heathrow.

She found out that the trip was cancelled at 17:30 the day before. In accordance with EU law she was offered a full refund or a rescheduled flight. She chose the refund.

She says: “If I don’t hear back then I will see if I can get back on the trip, which has been put forward to November.” She is currently still awaiting compensation.

She feels that overall her experience has been: “Not bad, but not excellent as the trip was for April and it’s been over a month.”

Georgia de Wolf, a Ryanair customer flying from London Stansted to Girona Barcelona, who was due to fly on April 21





at 07:10 found out that her and her partner's flight had been cancelled on April 19 by checking the news page. She alleges Ryanair did not contact them in any way to warn them of cancellations – a requirement of Regulation 261/2004.

She says there was a great deal of confusion over booking, leading to her re-booking and having those re-bookings further re-scheduled.

They were offered the EU regulated minimum, if they flew before April 30. She says: "We're not happy with this, as we felt pushed into re-booking and having a shorter holiday. It would have been much easier for us to go in early May, but we would have had to pay a lot more." Of the booking process she says: "We didn't feel very well treated. We went to go through security an hour before takeoff. The woman there sneered and said they weren't accepting printed passes. We pointed out these were the new ones and she just shrugged and told us to go to the Ryanair check-in to get the passes reissued. We got there and complained to the woman at check-in, who said there had been announcements." She says her partner is sure there weren't any and all it said on the board was "Check-in open". She adds: "Since I'm deaf even if there were announcements that'd have been no use."

As EU Regulation 261/2004 states: "Passengers whose flights are cancelled should be able either to obtain reimbursement of their tickets or to obtain re-routing under satisfactory conditions, and should be adequately cared for while awaiting a later flight." Neither of which condition appears to have been met in this case by Ryanair, whereas bmi is sticking to the letter of the law.



## INSURING THE WORLD

Ryanair appears to have failed in meeting its legal requirements. However, flybe have proved proactive in introducing 'volcanic ash insurance'.

Rutter asserts: "The policy gave nervous travellers the opportunity to book and get on the move once again with renewed confidence"

He continues: "flybe fully stands by its commitments and the volcanic ash insurance policy underwritten by our travel insurance partner, Chartis, assists passengers paying for any additional costs they might have to face due to authorities closing airspace and scuppering their travel plans. It will reimburse the policyholder for any holiday costs already paid if the flight is cancelled prior to departure or delayed for more than 24 hours due to airspace being closed by the UK Civil Aviation Authority or overseas equivalent." de Wolf said she would purchase the insurance: "If I started flying more regularly and this volcano continues (which some people believe it will)."

What protects the airlines in these cases? Germanwings says unequivocally that they do not have any insurance that covers such an eventuality and that they will not be copying flybe's volcanic ash insurance.

They estimate that they lost €4m (\$4.9m) per day due to the eruption. The losses will not be absorbed by parent company Lufthansa.

flybe did not give a figure on their losses preferring to state that: "Like all other airlines, it affected us, but flybe is now a £600m (\$875m) a year business," so it is "more than capable of dealing [with it]" despite its impact.



## HEAVY-HANDED GOVERNMENT?

None of the airlines questioned agreed with the decision to impose a blanket flying ban. Rutter of flybe says: "With safety always being a given," the airline sent a letter suggesting a five-point plan to the then UK Prime Minister, Gordon Brown, just three days after the imposition of the blanket flying ban. In the letter flybe "strongly mooted the suggestion of the immediate need to review the current methodology being used" and urged Brown to "call in whatever international expertise was available".

Since then the situation has changed and the blanket ban has been lifted. Flights are now being managed around a projected model. This too has been heavily criticised by many airlines. Now the decision to let aircraft fly is dependent on the type of engine in the aircraft.

Equally all those who answered questions said they were offering compensation in accordance with EU law. Germanwings

agreed that it had been pushed down this route.

The European Commission has come under fire for their regulation, which still stands even when faced by a natural disaster. Dale Kidd, the European commissions transport press officer, defends this position: "Even in these exceptional circumstances basic air passenger rights apply. EU law must be respected. Airlines have legal obligations. This is not a voluntary scheme. And passenger rights apply to all airlines equally. There are no discount passenger rights for discount airlines."

He stresses the body is aware of the extent of the airspace closures and cancelled flight caused and recognises that the "dimension" of the problem may have made meeting the letter of the law difficult. As such: "The commission is currently undertaking a review of the application of Regulation 261/2004. In its assessment, it will take into account the experience of the volcano ash cloud crisis to decide whether improvements are necessary." Although

that doesn't change the legal position relating to the recent disruptions.

What has the aviation sector learned from this catastrophe? Germanwings' Schwaff says, somewhat philosophically: "Mother Nature will do her thing any time she wants. We have to react to that and try to minimise inconveniences for our passengers." Whereas flybe had a more uncompromising response: "What this crisis has reinforced is the different response from the government to aviation when compared to the self-inflicted banking upheaval and, in particular, the financial support granted to that sector.

What the entire aviation industry needs is for the government to use the massive surplus of funds generated through air passenger duty at a national level and to work with Brussels to use the EU solidarity funds to create an intervention fund to compensate the airline industry."

The change in the blanket ban has helped flybe "manage and minimise all ongoing disruption". However, it asserts: "No-one will ever again underestimate the importance of air travel to society and the wide economy."

Perhaps another lesson learned is that customer protection can cause havoc when faced with such extraordinary circumstances and it seems it may even push a review of seemingly entrenched law. However, it is likely to assist the legacy carriers just as much as the low-cost sector. So far no carriers have been bankrupt, but the law still stands and there are those who will be willing to use it to gain compensation. Airline survival will depend on the resilience of the industry going forward.

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